

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. A.I. 124(2020)

1 **IN THE MATTER OF** the *Automobile*
2 *Insurance Act*, RSNL 1990, c. A-22,
3 as amended, and regulations
4 thereunder; and
5

6 **IN THE MATTER OF** an application
7 by Facility Association for approval to
8 implement a revised rating program for
9 its Commercial and Interurban Vehicles
10 category of automobile insurance.
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12

13 **WHEREAS** on September 1, 2020 Facility Association applied to the Board for approval of a
14 revised rating program under the Mandatory filing option for its Commercial and Interurban
15 Vehicles category of automobile insurance; and
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17 **WHEREAS** Facility Association filed an overall rate level indication of +7.8% for Commercial
18 Vehicles and +7.2% for Interurban Vehicles which included a target profit provision of 6% as a
19 percentage of premium; and
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21 **WHEREAS** Facility Association proposed an overall rate change of 0.0% for both Commercial
22 and Interurban Vehicles due to the economic impact caused by the COVID-19 pandemic and the
23 financial hardship on consumers; and
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25 **WHEREAS** Facility Association also proposed various rule changes; and
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27 **WHEREAS** on October 23, 2020 the Board's actuarial consultants, Oliver Wyman Limited
28 (“Oliver Wyman”), filed a report of findings with the Board; and
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30 **WHEREAS** Oliver Wyman identified concerns with Facility Association’s assumptions for loss
31 trends rates, complement of credibility, finance fee revenues, profit provision and return on
32 investment provision; and
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34 **WHEREAS** Oliver Wyman reported that substituting alternative assumptions that it found to be
35 more reasonable would reduce Facility Association’s overall rate level indication to -7.0% for
36 Commercial Vehicles and to -4.5% for Interurban Vehicles; and

1 **WHEREAS** on November 2, 2020 Facility Association filed comments which noted that the
2 concerns identified by Oliver Wyman were attributed to differences in actuarial views and that
3 Facility Association continued to believe its selected assumptions were justified, supported and
4 reasonable; and
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6 **WHEREAS** on November 6, 2020 Oliver Wyman filed a report addendum which included a
7 number of additional alternative indications for the Board's consideration which ranged from
8 -1.6% to -5.6% for Commercial Vehicles and from -1.3% to -4.4% for Interurban Vehicles; and
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10 **WHEREAS** on November 12, 2020 Facility Association filed an amended overall rate level
11 indication and proposed change of -1.8% for Commercial Vehicles and -1.4% for Interurban
12 Vehicles; and
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14 **WHEREAS** Facility Association noted that its amended proposal excluded the 6% profit
15 provision and included an estimate for finance fee revenues in accordance with one of the
16 alternative indications provided by Oliver Wyman in the November 6th report addendum; and
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18 **WHEREAS** the Board acknowledges that there is a wide range of possible outcomes in any
19 prospective ratemaking exercise and that the variance in the overall rate level indications produced
20 by Facility Association and Oliver Wyman was the result of differing actuarial judgements on a
21 number of assumptions included in the rate analysis; and
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23 **WHEREAS** the Board is satisfied that the proposed rates are just and reasonable in the
24 circumstances, do not impair the solvency of the insurer, are not excessive in relation to the
25 financial circumstances of the insurer, and do not violate the *Automobile Insurance Act* or the
26 *Insurance Companies Act* or the respective regulations thereunder.
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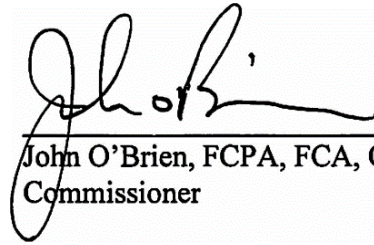
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29 **IT IS THEREFORE ORDERED THAT:**
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- 31 1. The revised rating program received on November 12, 2020 from Facility Association for its
32 Commercial and Interurban Vehicles category of automobile insurance is approved to be
33 effective no sooner than April 1, 2021 for new business and renewals.

DATED at St. John's, Newfoundland and Labrador, this 27th day of November, 2020.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary